

Old Age Security

Married taxpayer—2 dependants eligible for family allowances

Income	Standard income tax*	O.A.S. tax (present rate)	O.A.S. tax (new rate)	Increase in tax
	\$	\$	\$	\$
\$2,500	—	—	—	—
\$3,000	33	9	12	3
\$3,500	88	24	32	8
\$4,000	152	39	52	13
\$5,000	301	69	92	23
\$5,700	420	90	120	30

\*Before abatement for provincial tax.

Note: It is assumed that all taxpayers claim \$100 standard deduction.

**Mr. Benson:** This table shows that for a single taxpayer who has an income of \$1,500 per annum and takes the standard exemption, including the \$100 exemption for donations, medical expenses and union dues, the old age security tax would increase his tax by \$4 per annum, and the maximum contribution of \$30 per annum would not be reached until he had an income of \$4,100 per annum. So that the new tax would involve a maximum contribution of \$30 per annum for a single person when that person reached an income level of \$4,100. For married persons with no dependants, it would mean that there would be no contribution at a level of income of \$2,000 per annum or less. At the level of \$2,500 per annum the contribution required from individuals who are married and have no children is \$4 per annum and the maximum contribution of \$30 is not made by a married person until he reaches an income of \$5,100 per annum. Similarly, if a person is married and has two dependants one would find that at an income level of \$3,000 per annum his required contribution to the fund under the additional 1 per cent tax would only amount to \$3, and the maximum contribution of such married person with two children amounting to \$30 would not be reached until he earned \$5,700.

The position of the old age security fund in recent years and up to March 31 of this year, the end of the last fiscal year, is shown on page 97 of the appendix to *Hansard* of June 13, in the budget papers. This indicates that at the end of last year there was a temporary loan from the Minister of Finance outstanding of some \$41 million to make good the deficiency in the fund as of that time. The Minister of Finance stated that on the basis of the outlook and tax structure before the budget, the old age security fund would incur a further deficit of \$25 million during the current fiscal year as reported on page

1008 of *Hansard* at the bottom left hand side of the page. The removal of the exemptions from the sales tax were expected to add \$45 million to the income of the fund in the current fiscal year, but this portion of the increase in the sales tax, payable into the old age security fund, was later deferred until 1965. The current expectation is that the taxes presently in effect, payable into the old age security fund, will yield \$729 million this year, and the pensions before the increase of \$10 that is being proposed will cost \$750 million, leaving a deficit for the current fiscal year of \$21 million. The \$10 a month increase in the pensions will add \$57 million to the amounts payable out of the fund, increasing the total to \$807 million, and the increase of one per cent proposed in the contribution based on personal incomes will add \$13 million to the revenues of the fund during the current fiscal year. This will leave the total fund with a deficit of some \$65 million for the current year; that is, 1963-64.

It is expected that the additional 1 per cent contribution based on personal incomes which is proposed will yield approximately \$100 million in a full fiscal year at current income levels. It is not feasible to put this increased contribution into effect forthwith, but only from January 1. For this reason the amount actually collected and credited to our accounts in the current fiscal year is relatively small. Nevertheless, the additional revenue being secured for the fund is roughly comparable with the additional \$116 million being added to expenditures by the increase in the pension rate.

When one considers the situation in the next fiscal year it is of course less easy to make forecasts at this stage because of the greater difficulty of anticipating the levels of income at that time. Moreover, there will still be some lag in collections even in that year, owing to the delay in receipt of final payments of the taxes payable on 1964 incomes. For that year, therefore, we expect that this additional 1 per cent contribution will yield some \$93 million that will compare with the additional cost of the \$10 increase of approximately \$116 million. On the other hand, we would anticipate some growth in the yield from the present taxes which would have produced a modest surplus of revenue over the pension payments during 1964-65. This increase in revenue would include a small amount from the application of the sales tax on building materials and machinery commencing in January, 1965. As a result, I would expect that the \$93 million additional revenue which I have forecast from this additional 1 per cent contribution will, roughly, bring the old age security account into balance for the next fiscal year, that is, the 1964-65 fiscal